

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 NEA-11 ISO-00 SOE-02 AID-05 CEA-01
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FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC 8019
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INFO AMEMBASSY ATHENS
AMEMBASSY LONDON
AMEMBASSY KUWAIT
AMEMBASSY MUSCAT

C O N F I D E N T I A L ABU DHABI 1730

ATHENS FOR RTDO, DEPARTMENT PASS US DEPT OF ENERGY

E.O. 11652: GDS
TAGS: BENC, BEXP, TC
SUBJECT: REPORTS OF REFINERY IN RAS AL KHAIMAH (UAE) LIKELY MIRAGE

1. PRESS REPORTS HAVE RECENTLY EMANATED FROM RAS AL KHAIMAH (RAK) EMIRATE GOVERNMENT SOURCES ASSERTING THAT RAK PLANS TO ERECT A 120,000 BPD REFINERY AT KHOR KHUWAIIR WITH PARTICIPATION OF VARIOUS "KUWAITI INTERESTS" WHO ARE SUPPOSEDLY SENIOR GOK OFFICIALS ACTING IN A PRIVATE CAPACITY. RAS AL KHAIMAH, AS ONE OF THE UAE'S OIL POOR EMIRATES, HAS A GREAT DESIRE TO ATTRACT OIL RELATED INDUSTRY BUT A SPOTTY RECORD IN REPORTING ON OIL MATTERS GENERALLY.
 2. WHILE WE ARE UNABLE TO VERIFY THE NATURE OF KUWAITI INTERESTS IN THE VENTURE, WE DO KNOW THAT KELLOG INTERNATIONAL OF UK WAS HIRED LATE LAST YEAR TO DO A FEASIBILITY STUDY FOR A REFINERY AT KHOR KHUWAIIR (WHERE THE CEMENT PLANT AND PORT SAQR ARE LOCATED) USING MAINLY KUWAITI CRUDES. KELLOG REPORTEDLY IS TO PRESENT ITS FINDINGS TO REPRESENTATIVES OF THE RAK EMIRATE
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GOVERNMENT AND KUWAITIS (WHO ASSERTEDLY PAID FOR THE STUDY) IN LONDON OR ABOUT JUNE 27.

3. ALTHOUGH THERE IS EXCESSIVE REFINERY CAPACITY IN THE GULF ALREADY, RAK GOVERNMENT SOURCES UNANIMOUSLY ASSERT THAT THE KELLOG REPORT IS FAVORABLE AND THAT THE REFINERY WILL BE

BUILT. (NOTE: A YEAR AGO THESE SAME SOURCES INSISTED THAT RAK WOULD BE AN OIL EXPORTED BY 1978. HOWEVER, AFTER CHASING THE CHIMERA OF OIL, HAVING SPENT OVER \$25 MILLION OF ITS OWN MONEY DRILLING DRY HOLES AND UNABLE TO RAISE \$40 MILLION IN EURO-MARKET TO FINANCE NEW EXPLORATION, RAK EMIRATE IS NO LONGER ABLE TO ATTRACT FURTHER DRILLING BY OIL COMPANIES.) ON OTHER HAND, KUWAITI CONSUL GENERAL IN DUBAI HAS TOLD US HE HAS SEEN RECENT ARTICLE IN KUWAITI PRESS QUOTING KUWAIT OIL MINISTER SHAIKH ALI AL SABAH DISCLAIMING ANY KNOWLEDGE OF THE RAK REFINERY OR OF THE REPORTED MEETING IN LONDON. THE KUWAITI CG DEEMS IT UNLIKELY THAT SABAH WOULD ISSUE SUCH A STATEMENT IF THERE WAS ANY SERIOUS KUWAITI INTEREST IN THE REFINERY.

5. COMMENT: IF SUCH A REFINERY WERE BUILT, IT WOULD HAVE TO BE ENTIRELY FOR THE EXPORT MARKET. DOMESTICALLY, IT AOULD COMPETE WITH THE EXISTING 15,000 BPD REFINERY AT ABU DHABI AND WITH ANOTHER 125,000 BPD REFINERY AT RUWAIS WHICH IS SCHEDULED TO GO ON STREAM IN 1981. DUBAI IS ALSO INVESTIGATING AND PLAYING WITH MODELS OF REFINERIES AT JEBAL ALI BUT THUS FAR HAS NOT BEEN ENTICED INTO DEFINITELY PROPOSING ONE.
DICKMAN

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